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TO AMEMBASSY ASUNCION
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TAGS: BEXP, AR, PA

SUBJECT: PROPOSED U.S. CONSORTIUM FOR YACYRETA
HYDROELECTRIC PROJECT

REF: (A) ASUNCION 3539; (B) BUENOS AIRES 5622

1. COMMERCE HAS CONTACTED AND DISCUSSED THE STATUS OF THE
FORMATION OF THE U.S. CONSORTIUM FOR YACYRETA PROJECT WITH

GEORGE BORNSCHEUER OF BURNS AND ROE AND FRED SIEBENSOHN OF
ALLIS-CHALMERS. WE WERE ADVISED THAT THE VARIOUS REQUIRED
ACTIVITIES INVOLVED TO LEGALLY FORM SUCH A CONSORTIUM AND
THE ENGINEERING AND PROPOSAL PREPARATION ARE PROCEEDING
ON SCHEDULE. IT IS COMMERCE'S IMPRESSION, HOWEVER, THAT
THE ATTENTION OF THE CONSORTIUM OVER THE PAST SEVERAL
MONTHS HAS BEEN FOCUSED ALMOST COMPLETELY ON INTERNAL
PROCEDURAL MATTERS AND THE ATTENDANT ANTI-TRUST

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IMPLICATIONS.

2. REGARDING THE LEGAL STATUS OF THE CONSORTIUM, THE FOUR U.S. CONSORTIUM MEMBERS HAVE RETAINED A WASHINGTON LAW FIRM SPECIALIZING IN ANTI-TRUST MATTERS TO HELP PREPARE A BUSINESS REVIEW LETTER TO BE SUBMITTED TO THE DEPARTMENT OF JUSTICE. INPUTS FROM THE LEGAL DEPARTMENTS OF THE FOUR

FIRMS AND THE CONSORTIUM PROPOSED INTERNAL OPERATING PROCEDURES ARE PRESENTED IN THIS LETTER. THIS LETTER IS EXPECTED TO BE READY FOR SUBMITTAL TO JUSTICE BEFORE END OF THIS MONTH. IT IS HOPED THAT JUSTICE WILL RENDER AN OPINION IN 30 DAYS. INFORMAL DISCUSSIONS BETWEEN CONSORTIUM MEMBERS AND JUSTICE REGARDING THE FIRMS' APPROACH TO THIS PROJECT HAVE NOT UNCOVERED ANY PROBLEMS.

3. IN THE MEANTIME, BURNS AND ROE IS PROCEEDING WITH

PREPARING TECHNICAL SPECIFICATIONS FOR THE PROPOSAL EFFORT. A CHANGE FROM PREVIOUS REPORT IS THE CONSORTIUM'S DECISION TO LIMIT ITS PROPOSAL TO THE YACYRETA TURBINES AND GENERATORS AND ASSOCIATED AUXILIARIES (ORIGINALLY, CONSORTIUM INTENDED TO BID ON THE COMPLETE POWERHOUSE EQUIPMENT PACKAGE). THIS DECISION WAS MADE BASED ON PROCEDURAL COMPLEXITIES THAT WOULD BE IMPOSED DUE TO ANTI-TRUST CONSIDERATIONS THAT WOULD DILUTE THE MAIN EFFORT (AND INTEREST) OF THE THREE U.S. MANUFACTURERS, I.E. SUBMITTING A COMPETITIVE PROPOSAL FOR THE TURBINE/GENERATORS. THE CONSORTIUM STILL INTENDS TO HAVE A PROPOSAL READY TO PRESENT BEFORE THE END OF THIS YEAR.

4. REGARDING HOW AND WHEN THE CONSORTIUM WILL SUBMIT THE PROPOSAL, THIS DECISION HAS NOT BEEN MADE. DISCUSSION WITH SIEBENSOHN/BORNSCHEUER INDICATE THEY ARE VERY MUCH AWARE OF THE SENSITIVITY OF THIS SUBJECT AND THE

CONSORTIUM IS COMPLETELY OPEN TO SUGGESTIONS ON HOW BEST TO PRESENT ITS PROPOSAL. IT IS EVIDENT THAT SIEBENSOHN/MARCELO BECCAR VARELA DISCUSSION WITH EMBASSY ASUNCION LAST MONTH, AND BECCAR VARELA'S SUBSEQUENT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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COMMUNICATIONS WITH ALLIS-CHALMERS HAS MUCH TO DO WITH THE CONSORTIUM'S OPEN ATTITUDE. WE WILL KEEP EMBASSIES ASUNCION AND BUENOS AIRES ADVISED ON LATEST DEVELOPMENTS. INGERSOLL

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